

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 SP-02 STR-04
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FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 3277
INFO ALL EC CAPITALS 3284
AMEMBASSY BERN
AMEMBASSY OTTAWA
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
USMISSION OECD PARIS
USMISSION GENEVA

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E.O. 11652: N/A
TAGS: EGIN, EEC
SUBJECT: EC COMMISSION PROPOSES PRELIMINARY FINAL CIEC PACKAGE

REF: (A)EC BRUSSELS 2263, (B) EC BRUSSELS 2262
(C) EC BRUSSELS 2085, (D) 76 EC BRUSSELS 11065

1. SUMMARY: THE COMMISSION HAS SUBMITTED TO THE COUNCIL ITS PROPOSALS FOR A FINAL CIEC PACKAGE: 1) ONE-TIME, ADDITIONAL AID FOR THE POOREST LDCS; THE EC SHARE WOULD BE \$1 BILLION; 2) COMMITMENTS TO INCREASE AID FLOWS, INCLUDING FOOD AID, TO IMPROVE THE QUALITY OF AID AND TO EXPAND WORLD BANK LENDING; AND 3) LIFTING MEMBER STATE RESERVATIONS TO THE UNCTAD COMMODITY RESOLUTION.

THE COMMISSION IS ALSO CONSIDERING A SCHEME TO STABILIZE LDC EXPORT EARNINGS AND IS EXPECTED TO PUT FORWARD THE OUTLINES OF SUCH A PROPOSAL LATE THIS MONTH. COUNCIL WORKING

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GROUPS WILL TAKE UP THESE PROPOSALS TO PREPARE FOR THE MARCH 25-16 EUROPEAN COUNCIL AND APRIL 5 FOREIGN MINISTERS COUNCIL. END SUMMARY.

2. THE EC COMMISSION AGREED IN PRINCIPLE ON MARCH 11 TO A GUIDELINE PAPER FOR EC PREPARATIONS FOR THE FINAL ROUND OF CIEC. (THE MISSION HAS A COPY OF THIS PAPER

WHICH IT IS SENDING TO EUR/RPE - MCLEAN.) THE COMMISSION IS TO HAVE A SECOND READING OF THE PAPER ON MARCH 17, BUT THE STAFF BELIEVES IT WILL BE ADOPTED WITHOUT MAJOR CHANGES. THIS PAPER WILL BE TAKEN UP BY THE MARCH 18 EC HIGH LEVEL GROUP AND WILL LIKELY BE SUBMITTED TO THE MARCH 25-16 EUROPEAN COUNCIL AND APRIL 5 FOREIGN MINISTERS COUNCIL. THE FOLLOWING ARE THE HIGHLIGHTS OF THE DRAFT COMMISSION PROPOSALS:

3. STRATEGY: THE COMMISSION PROPOSES A STRATEGY TO MEET IN PART THE DEMANDS OF EACH OF THE DIFFERENT LDC GROUPS. THIS SHOULD ASSURE THAT THE G-19 IS INTERESTED IN A SATISFACTORY CIEC OUTCOME. THE LDCS SHOULD FEEL THAT CIEC HAS MADE THEM BETTER OFF. ON THE OTHER HAND, FAILURE OF CIEC WOULD MEAN A BREAK-UP OF THE DIALOGUE. THIS WOULD CAUSE RENEWED CONFRONTATION, POLITICAL TENSIONS, ECONOMIC SETBACKS, AND THE START OF THE UN GENERAL ASSEMBLY BEFORE THE SUMMER RECESS.

4. IMMEDIATE ACTION: THE COMMISSION SUGGESTS A ON-SHOT, ADDITIONAL AID ACTION FOR THE POORER LDCS. THE EC SHOULD CONTRIBUTE ABOUT \$1 BILLION OVER A 3-YEAR PERIOD. (FOR DETAILS OF THIS PROPOSAL SEE REF. C AND D.) THE COMMISSION PAPER ADDS THAT SO FAR THE G-19 HAS NOT BEEN WILLING TO DISCUSS DEBT RELIEF PROCEDURES BEFORE OBTAINING PROGRESS ON IMMEDIATE AID TO RELIEVE LDC EXTERNAL DEBT PAYMENTS.

5. INCREASED AID: THE COMMISSION SUGGESTS THE LIMITED OFFICIAL USE

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FOLLOWING MEASURES TO INCREASE RESOURCE TRANSFERS:
A) REINFORCEMENT OF THE EXISTING TEXTS CONCERNING THE 0.7 PERCENT OFFICIAL DEVELOPMENT ASSISTANCE (ODA) TARGET; B) QUALITATIVE IMPROVEMENT IN ODA BY INCREASING ITS GRANT ELEMENT AND UNTYING AID; C) ESTABLISHMENT WITHIN THE OVERALL ODA TARGET OF AN INDICATIVE FIGURE FOR AID FOR AGRICULTURAL DEVELOPMENT; D) AN EC CONTRIBUTION TO THE GLOBAL FOOD AID TARGET; (THE COMMISSION EARLIER PROPOSED RAISING EC CEREAL FOOD AID IN 1977 FROM 1,287,000 MT TO 1,650,000 MT IN 1977 AS A FIRST STEP TOWARD THE INTERNATIONAL OBJECTIVE OF 10 MILLION MT ANNUALLY OF CEREAL FOOD AID); AND E) EXPANSION OF THE WORLD BANK'S CAPITAL AND LENDING CAPACITY. THE COMMISSION POINTS OUT THAT AT THE FINAL STAGES OF THE CIEC NEGOTIATIONS, MEMBER STATES MAY BE CALLED UPON TO INDICATE HOW THEY INTEND TO PROGRESS TOWARD THE 0.7 PERCENT ODA TARGET.

6. RAW MATERIALS: THE COMMISSION SUGGESTS THAT

MEMBER STATES SHOULD LIFT THEIR RESERVATION TO THE NAIROBI RESOLUTION ON THE INTEGRATED COMMODITY PROGRAM. THEY SHOYLD ALSO SUPPORT THE NAIROBI FORMULA FOR PRICE ADJUSTMENTS IN COMMODITY AGREEMENTS. THE PAPER ADDS THAT CURRENT COMMON FUND NEGOTIATIONS MAY CREATE FURTHER PROBLEMS FOR CIEC, BUT THESE CAN NOT BE FORESEEN. IT SUGGESTS THAT THE EC SHOULD STRIVE TO INCLUDE IN THE FINAL CIEC CONSENSUS STATEMENTS ON A) NON-DISCRIMINATORY ACCESS TO RAW MATERIAL RESOURCES, WHICH SHOULD BE LINKED TO BETTER ACCESS OF LDC RAW MATERIAL AND MANUFACTURED EXPORTS TO DC MARKETS; AND B) PROMOTION OF INVESTMENT. NO COUNCIL DECISION, HOWEVER, IS NEEDED ON THESE LATER POINTS.

7. G-8 COORDINATION: THE EC SHOULD ALIGN ITS POSITION WITH THE REST OF THE G-8, ESPECIALLY WITH THE US AND JAPAN. A UNIFORM POSITION IS NOT REQUIRED, HOWEVER, LIMITED OFFICIAL USE

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BECAUSE A DIFFERENTIATED APPROACH CAN BE TAKEN ON SEVERAL ISSUES. (COMMISSION OFFICIALS NOTE, FOR EXAMPLE, THAT THE EC MAY FOCUS ON "IMMEDIATE ACTION" WHILE THE US STRIVES TO INCREASE ITS ODA OVER THE MEDIUM-TERM.)

8. STABEX: COMMISSION STAFF OFFICIALS TELL US THAT THE COMMISSION DECIDED TO DELAY A PROPOSAL ON A GLOBAL SYSTEM FOR THE STABILIZATION OF LDC EXPORT EARNINGS (STABEX). IT WANTED TO AWAIT THE END OF THE CURRENT COMMON FUND NEGOTIATIONS IN ORDER TO AVOID COMPLICATING

THE PROCEEDINGS. IN ADDITION, THE COMMISSION IS DIVIDED ON WHAT TO PROPOSE AND MAY EVENTUALLY PUT FORWARD SEVERAL ALTERNATIVES. COMMISSION OFFICIALS BELIEVE, HOWEVER, THAT AT ITS MARCH 30 MEETING THE COMMISSION WILL AGREE ON THE BROAD OUTLINES OF A STABEX PROPOSAL AND SUBMIT THEM TO THE APRIL 5 FOREIGN MINISTERS COUNCIL. CURRENTLY THE COMMISSION IS CONSIDERING THREE ALTERNATIVES; 1) A LOME CONVENTION-TYPE STABEX WHICH WOULD PROVIDE TRANSFERS FOR SHORT-FALLS IN EARNINGS FROM SPECIFIC COMMODITIES; THESE WOULD PRIMARILY BE FOR TROPICAL PRODUCTS; EACH MAJOR INDUSTRIALIZED COUNTRY WOULD HAVE ITS OWN SCHEME (SEE EC BRUSSELS 1373); 2) A CENTRALIZED, GLOBAL STABEX WHICH WOULD BE COMMODITY SPECIFIC, BUT WOULD INCLUDE MOST, IF NOT ALL, OF THE UNCTAD 18 COMMODITIES; A CEILING WOULD BE PLACED ON TOTAL TRANSFERS EACH YEAR;

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INFO OCT-01 EA-07 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
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R 161546Z MAR 77
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 3278
INFO ALL EC CAPITALS 3285
AMEMBASSY BERN
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3) A SCHEME SIMILAR TO TWO, BUT TRANSFERS WOULD BE BASED ON A BASKET OF 18 COMMODITIES RATHER THAN ON SPECIFIC PRODUCTS. IN EACH CASE, THE EC WOULD NOT CONTRIBUTE MORE THAN \$250 MILLION ANNUALLY OVER A FIVE-YEAR PERIOD. (THE MISSION HAS COPIES OF THESE ALTERNATIVES WHICH IT IS SENDING TO EUR/RPE - MCLEAN.) EVEN IF THE G-8 SHOULD AGREE TO PROPOSE A STABEX, COMMISSION OFFICIALS EXPECT THAT THE SPECIFICS WOULD BE DECIDED UPON AFTER CIEC CONCLUDES.

9. COMMETN: THE FRG INITIATIVE TO ANNOUNCE TO THE COUNCIL ITS SUPPORT FOR STABEX (SEE REF. A) HAS SHARPENED COMMISSION INTEREST IN THIS SCHEME. COMMISSION OFFICIALS SAY THE FRENCH SUPPORT THE CONCEPT, BUT DIFFER ON THE MODALITIES. THE FRG PREFERS A GLOBAL SCHEME BASED ON A BASKET OF COMMODITIES AND FRANCE FAVORS A COMMODITY SPECIFIC SCHEME FOR ONLY THE POOREST LDCS.
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(THIS LATTER APPROACH WOULD LIKELY ENABLE THE EC TO

DEDUCT ITS CURRENT LOME STABEX TRANSFERS WHEREAS
THE FORMER ONE WOULD NOT.) THE BRITISH HAVE RESERVATIONS
OVER STABEX AND WOULD LIKE TO DELAY SUBSTANTIVE
EC DISCUSSION. THE DUTCH AND DANES, ACCORDING TO OFFICIALS HERE,
ARE PREPARED TO CONSIDER STABEX, BUT
THEY ARE OPPOSED TO PUTTING IT FORWARD AS AN
ALTERNATIVE TO THE COMMON FUND. IN SHORT, A LOT MORE
PREPARATION IS NEEDED BEFORE THE NINE ARE
READY TO AGREE ON THE CONCEPT OF A GLOBAL STABEX. KNOWLEDGEABLE
OFFICIALS HERE BELIEVE, HOWEVER, THAT IF THE G-19
APPLIES INTENSE PRESSURE FOR FURTHER CONCESSIONS IN
THE COMMODITIES AREA, THE NINE WILL LIKELY TURN TO
STABEX. END COMMENT.HINTON

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